

# *The* Management REVIEW



**JUNE, 1942**

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**COMMENT • DIGEST • REVIEW**

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WHILE industry has long recognized the importance of health measures for the rank and file, the health of its key executives has been more or less neglected. Indeed, as Dr. Hugh Cabot once remarked, "While industry took a good deal of trouble in overhauling the applicants for jobs at a dollar a day, it quite lightheartedly took on an executive at \$50,000 whose life expectancy was not more than a year."

As a result, the health of top management today is in a sorry state, according to Dr. Harold C. Habein in an article abstracted in this issue (*The Health of the Executive*, page 189). The average executive's health and efficiency are impaired by bad working, recreational, eating and smoking habits, says Dr. Habein—and he marshals some disquieting figures to substantiate this. Thus, of 176 executives of a large industrial corporation who were examined over a nine-year period at the Mayo Clinic, 41 per cent were found to be suffering from serious ailments—hypertension, ulcers, angina pectoris, syphilis, among others.

Food is apparently one of the chief occupational hazards of management; by overeating, many executives may be said to dig their graves with their teeth. Others, driven by the same chromosomal urge that brought them to their present high positions, overextend themselves in both work and play (indeed, some executives who were apparently working at top speed in peacetime have lately increased their workday to as much as 14 or 16 hours). When they do pause for rest and relaxation, declares Dr. Habein, they are apt to go about games as if their financial futures depended on it.

What can be done about the situation? Several specific remedies are proposed by Dr. Habein, among them a sensible change in the scheduling of executives' vacations. With executive health now as much a matter of patriotism as of personal concern, the advice which he offers is particularly timely.

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# THE MANAGEMENT INDEX

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## *General Management*

### The Negro's War

**I**N Harlem they are still waiting for the employment boom. When after the lean years (and there were more than seven of them) prosperity came back, it pointedly avoided the colored unemployed. To illustrate: The Negro category on WPA rolls actually *rose* from 14.2 per cent in February, 1939, to 17.6 per cent in February, 1942. This was due not to any real growth of Negro unemployment but to the fact that white workers enjoyed priority in reemployment by defense industries.

Last September the U. S. Bureau of Employment Security inquired from selected defense industries the number of job openings the management expected to occur during the following six months; and for how many of them Negroes, if available, would be considered. The survey, concentrated on regions with considerable Negro labor, uncovered this fact: out of 282,245 prospective openings, 144,583 (51 per cent) were barred to Negroes as a matter of policy. Not even the most essential defense industries had suffi-

ciently lifted race barriers; indeed, the critical industries reported color restrictions rather above the average.

Management's actual experience with Negro labor has little to do with the habit of employment discrimination. Last December the Conference Board presented the results of an extensive study of such experiences. One hundred and two selected managements of industries employing Negroes had been requested to rank colored and white employees on comparable skilled and semi-skilled work. As to ability and skill, 70 graded Negro workers equal to their white colleagues, 31 poorer, one better than whites. As to production, 85 managements found Negroes equal to, 12 poorer, five better than white workers.

On June 25, 1941, the President warned government, employers and labor that discrimination in defense industries is contrary to the country's fundamental interests and must not be tolerated. To realize the proclaimed policy, the President's Committee on Fair Employment Practice was created,

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equipped with little more power than that of investigating the field and holding public hearings on glaring cases of discrimination. True enough, the committee (whose jurisdiction includes all racial, national and religious minorities) has somewhat accelerated the nation's adjustment to a critical situation, but the adjustment itself was caused by practical necessity rather than by political or industrial statesmanship. Indicative of the slowly changing trend is the fact that last September 53,000 out of 184,000 additional jobs in both skilled and unskilled categories were declared open to Negro applicants by companies that had never before employed colored labor of any kind.

Theoretically, management should have fewer objections to hiring colored labor than any other part of the industrial team. The employer seldom has social contact with his workers anyway, and his primary concern is production efficiency and satisfactory investment return. In reality, a multitude of extra-economic motivations help to determine the employer's attitude.

Anything may happen when the first Negro workers enter a plant or an office—from a few minutes' slowdown to the walkout of aroused foremen, even to strikes of the entire personnel. If work is not directly disturbed, there may be in some cases the grievous problem of segregated cafeterias, washrooms, recreation facilities. Management is afraid of opening a Pandora's Box of troubles. And employers who, recoiling from the implications

of a non-discriminatory hiring policy, tend to pass the buck to labor have some impressive facts on their side. Moreover, they argue that the same government that insists on such a policy for private industry has not exactly established a working model in Washington. Yet a conclusive answer to all that has been given by the Employers' Association of Chicago, in a memo to its members: "Some employers have raised the objection that the attitude of their own employees forces them to discriminate. However true this may have been in the past, it is now the job of employers to influence their employees toward sacrificing such prejudices as a matter of patriotic necessity."

And it can be done. Consider the example of Lockheed-Vega. Once the management had made up its mind to employ Negro labor, foremen and supervisors were advised to see that the plan succeeded; and they accepted the responsibility, since evidently the management was resolved to carry out its intent. Last August, after the internal machinery had been fully set up, each of Lockheed's thousands of employees was provided with a firm statement of the management's policy; even if they had wanted to, the local unions could not have resented Lockheed's compliance with the Commander-in-Chief's executive order, which was extensively quoted in the communication. Today many hundreds of Negroes are working at Lockheed-Vega, mostly in production jobs, and the company reports no trouble.

While experiences with the introduc-

tion of colored workers vary according to regional habits, local population structure, and type of work, they agree on one point: namely, that much depends on the management's own approach. Where management conceives the hiring of Negroes to be part of its own wartime labor policy and sticks to it, results are encouraging. They are exemplary where management and unions join forces against discrimination.

For labor unions to turn against any group of men who have to work for a living contradicts their original aims but at least not the written constitutions of some of them. Nineteen international unions, 10 of them affiliated with the A. F. of L., explicitly exclude Negroes from membership. Officially, the A. F. of L. advises its affiliated organizations not to retain a constitution discriminating against Negroes. So diplomats of those internationals long ago found an ingenious way out: the machinists, for example, exclude Negroes by a ritualistic oath.

In certain places and industries the congestion of war orders has been so heavy that discriminating unions could not totally obstruct Negro employment without endangering production and their own jobs. In some of these instances a peculiar device is used: the Negro is not accepted as a member, but purchases a working permit from the union.

The Labor Division of the WPB has a special Negro Employment and Training Branch, under Dr. Robert C. Weaver, which is attempting to secure the unions' cooperation. Improve-

ments are slow but undeniable. In some regions C.I.O. and A. F. of L. officials have formed joint-action committees to speed the integration of Negroes into union shops.

What the American Negro resents as employment discrimination is in part due to the fact that the bulk of Negro labor is still unskilled. Every third gainfully working white American belongs to the skilled and semi-skilled groups, but only one out of each eight working Negroes. For the Negro training is a prerequisite: He will march into a richer life through training schools or not at all.

On his initial steps along this road he has not exactly been encouraged. Here is an over-all picture of conditions in 18 selected southern and border states and the District of Columbia: Over 22 per cent of the population of this area is Negro; but in the preemployment and refresher-training courses supervised by the U. S. Office for Education less than 4 per cent of the trainees enrolled last January were Negroes. Out of 4,630 training sources only 194 accepted Negroes.

In the consciousness of all peoples in the world, this war is being fought for and against the idea of racial superiority. America's Constitution, like Christianity, is based on the principle that every man is born with the inalienable right to equality of opportunity. Whether or not this assumption is "realistic"—we must either stick to it or change sides. Anything else would be not only immoral; it would be a military mistake. *Fortune*, June, 1942, p. 77:9.

## The Health of the Executive

THE head of a large corporation once remarked that he paid executives \$100,000 a year on the theory that he would kill them in 10 years, and it may be assumed that he kept his promise in a good many cases. Certainly the data available, while it is not conclusive, leads one to suspect that the health of the average executive is not all that could be desired; that his occupation and habits shorten his life, decrease his efficiency, and predispose him to certain diseases.

Recently the writer reviewed the records of 176 executives of a large industrial corporation who were examined over a nine-year period at the Mayo Clinic. Some were examined as many as eight times during this period, others only once. The youngest was 23 years old, the oldest 65, and the average age at the time of first examination was 44.3 years. Few of these men considered themselves ill, and none had found it necessary to stop working. But 23 of the 176, or 13 per cent, had definite hypertension; 31, or 18 per cent, had duodenal ulcers; six, or 3 per cent, had coronary sclerosis and angina pectoris; 13, or 7 per cent, had cerebrospinal or vascular syphilis. In other words, 41 per cent were suffering from serious disabilities.

This study seems to show an inordinately high incidence of hypertension in a group of comparatively young men. There can be little doubt that in many of these cases the complications and sequelae of hypertension and

arteriosclerosis will develop; this trend was noted in a number of instances. As to the incidence of peptic ulcer, it is a well-known fact that this condition is found much more frequently among persons who live and work under intense emotional strain.

In many cases the consultant had noted on the executive's record sheet some such comment as: "Physical and mental exhaustion"; "Energetic, driving executive, most indiscreet in drinking, dating and smoking habits"; "Nervous, high-strung man"; "Smokes too much"; "Hasn't had a vacation for two years."

The obvious implication is that the executive's health and efficiency are impaired and his life endangered by his occupation and mode of living. The average executive is likely to have bad working, recreational, eating, smoking and drinking habits. He is frequently nervously and physically fatigued and emotionally tense. His recreation, if he plays at all, is injudiciously planned, and he goes about it as strenuously as he works.

Many executives eat too much. Overeating leads to obesity, which is commonly associated with hypertension and may predispose to diabetes. There is also evidence that disturbed utilization by the body of milk and its products, of eggs and animal fats, is responsible in some degree for changes leading to arteriosclerosis. For lunch the executive seizes a sandwich on the run. If he belongs to a service club,

he is bombarded by songs, handshaking and back-slapping. A noon hour spent in this manner leads to various types of functional indigestion.

Most executives smoke excessively. Tobacco impairs the circulation in the skin of the peripheral parts of the body by causing arteriolar constriction. Excessive use of alcohol, on the other hand, has not been common among executives. There is no acceptable evidence that the moderate use of alcohol does harm to the body, although results of some studies seem to indicate that the excessive use of it shortens life. However, people are more apt to die of excessive eating than they are of excessive drinking.

How, then, shall the physician go about the task of properly advising the executive? There is much to be said in favor of the periodic health examination which gives the physician the opportunity to note early evidences of disease. This is best done by a well-organized group rather than by one physician, no matter how capable he is. The examination should, however, be directed by one physician, and after the data has been assembled this man should be the one to advise the patient.

The executive's vacations should be planned as far as possible to afford him relief from strain when it is heaviest. In northern or so-called temperate climates (which are characterized by nothing but intemperance), the habit of taking a vacation in the summer has nothing to recommend it except habit. December, January, February and March are the months in

which the death rate among executives is highest; for many executives a winter vacation in a warm climate is first-class insurance. It is probably true also that many executives will derive more benefit from periodic short vacations than from one long vacation each year.

An executive should exercise according to his physical capacities. Most executives require more exercise than they get, but exercises should be judiciously planned; and it is obvious that exercise and what we loosely call play must be combined in such a way as to bring about pleasure. Even in recreation, however, many executives retain their competitive instincts; they must be beating something or somebody. There is no objection to this, but the executive should not go about a game as if his life and financial security were at stake.

The executives of this country have been working at what has seemed top speed for years. But now, because of the national emergency, speed must be increased even more. And does anyone think that the signing of the peace treaty will end our troubles? They will have just begun. Our country will, as never before, require the services of keen minds and sound bodies. Pauses for rest and relaxation are in no sense of the word wasted time. If the job ahead is left to those whose decrepit bodies have long outlived their usefulness, centuries will have passed before we recover from this debacle. By HAROLD C. HABEIN, M.D. *Industrial Medicine*, May, 1942, p. 218:4.



## Births and Deaths in Business Enterprise

**B**IRTH, active life, and death are as much a part of the history of business enterprise as they are of the human race. The rule of chance never changes. To translate this sense of mobility—or instability—into actual facts concerning American business as a whole, let us examine the vital business statistics compiled by Dun & Bradstreet since the turn of the century. These figures cover over 2,000,000 individual enterprises, a unique record of the development of American industry.

In the first place, this record reveals that, despite the rapid growth of large-scale organizations in manufacturing and distribution, the total number of independent industrial and commercial enterprises in the country has kept pace with the growth in population. Since 1900, annual increases in the number of business units at a faster pace than the growth in population have been checked, first during the first World War, and again during the depression of the thirties.

A ratio of about 16 enterprises to every 1,000 population, or one unit to every 62 persons, is fairly typical for this 40-year record. During the decade from 1920 to 1930, when per capita national income was high, the number of concerns in business increased rapidly to supply the growing demand of a public with ready money. A peak was reached in 1929, when

2,213,000 concerns were listed. In the four lean years that followed, the "business population" decreased annually, until by 1933 the ratio had fallen below the 40-year typical figure. Since 1933, however, there has been a yearly increase in listings. Business births have declined annually since 1936, but the continued excess of new business over discontinuances has caused an increase in total listed concerns.

The ratio of total discontinuances to total concerns over a 40-year period indicates that one-fifth of the business population undergoes annually some radical change, disregarding increases or decreases of net worth (which are often enough radical). This change may be sale, merger, change of locality, withdrawal (because of failure to make a profit, or failure with loss to creditors), or merely change in legal form, such as taking in a partner or incorporating.

It should not be assumed from this 20 per cent ratio that all businesses fail at the end of five years, a misstatement which is often encountered. Nor can it be assumed that the average life of a business enterprise is five years.

The business population at any one time consists of units of all ages—from a day to a hundred years or more. Life expectancy increases with age, so that, while many new enter-



prises fall quickly by the wayside, the survivals will approach each succeeding birthday with improved chances of carrying through another year. In this respect business life expectancy figures are more pleasant than those of mere humans.

Sampling studies of business mortality indicate that about 45 per cent of all concerns *in business* at any one time will be out by the end of five years, and that about 65 per cent of *new concerns starting in business* in any one year will fail to reach a sixth birthday. But it should never be forgotten that new hopefuls are continually springing up to replace the casualties.

All the complex history of business births, deaths and successions may be intriguing to the antiquarian, but has it any current significance? Can the parts be fitted together to predict what will happen to the 2,000,000-odd American business concerns in the course of a normal year?

As previously noted, some change will take place in nearly 20 per cent of the total—the average of the last seven years is 16 per cent. The lives of 7 per cent will be marked by events short of actual discontinuances. In about 5 per cent the old ownership will be eliminated in one way or another, but the business will continue without interruption. Two per cent will undergo a legal change of some sort, most frequently from an individ-

ual proprietorship or a partnership to a corporation.

There will be left then 9 per cent which will actually disappear from the scene, most of them “fizzles,” a term which has been applied to concerns that fail to provide a satisfactory living for the owner. Their demise will probably entail a lost or at least impaired investment, but not always a loss to creditors. Cases in the bankruptcy courts and cases compromised out of court have averaged in recent years less than 1 per cent of the total concerns in business.

What, then, of the balance of American business? It is composed of concerns more than one year old which will presumably continue unchanged in legal form or ownership for at least another year. Many of them, however, will encounter financial hazards during the year with resulting impairment of net worth. Others will prepare balance sheets reflecting improved business. Both types of changes affect credit relations with suppliers, and it requires close to 400,000 rating changes a year to follow these concerns through their financial vicissitudes. These rating changes, if downward, often foreshadow departures from the “survival” groups and indicate those concerns which, at the start of a new year, may possibly be among those undergoing change, even failure or discontinuance. BY DOROTHY S. DAVIS and WALTER MITCHELL, JR. *Dun's Review*, August, 1941, p. 21:4.

# Office Management

## Survey of Office Conservation Programs

**M**OST companies regard an office conservation program largely as a matter of education, of making employees "waste-conscious," data gathered in a survey by the Research Committee of the National Office Management Association reveals. Information was contributed by 255 companies representing all types of business establishments.

Cooperation of employees, it seems, can be best obtained through tested educational methods. A sizable number of companies have attempted to encourage more active participation in the program by centering it around a suggestion system. In other instances this same purpose was accomplished by the formation of employee committees and by the designation of employee "waste wardens" on a rotating basis so that all would have an opportunity to participate.

Usually a one-shot approach is not satisfactory—some form of continuous campaign is called for. Most companies employ a bulletin, leaflet or folder for getting the message across. Posters and articles in employee publications are also used extensively; in a number of cases the problem was presented at special employee meetings. In most instances the messages solicit additional suggestions from employees, and special blanks to facilitate submission of ideas are sometimes furnished.

Apparently most companies feel that

the opportunity offered to make a personal contribution toward "winning the war" provides all the incentive necessary to secure enthusiastic cooperation of employees. However, special recognition for worthwhile suggestions has been an integral part of many employee suggestion plans, and this feature has been retained where such plans have been adapted to the waste-elimination programs. In the majority of such cases some form of financial reward is employed.

Where should responsibility for organizing and conducting the office waste-elimination program be placed? It is interesting to note that the office conservation programs of a majority of companies are independent of any similar programs at the factory. By far, the majority have seen fit to assign responsibility to a particular executive or a specific unit of the organization, and the office manager is most frequently selected for the assignment. Forty companies, however, make each department head responsible for his own subordinates.

Use of committees for this purpose was reported by 11 companies. In one firm, the waste-elimination committee was composed entirely of rank-and-file office workers. An instance was cited where the president of the company personally presented a waste-elimination suggestion to the committee, this

action serving to impress the group with the importance of the undertaking in management's eyes.

While the committee form of organization provides a means of securing the active participation of a large proportion of the personnel, it does make it more difficult to obtain effective action. One office executive wrote: "If a committee has only the power to recommend, it will be months before it can wheedle departments into line. It ought to have the power to ACT. In my company, such a committee was established by a presidential bulletin that states in part, 'The committee has been empowered to take final action on all these minor questions . . . leaving to every executive the right to appeal.' With this authority

we just TOLD 'em, and it worked beautifully."

Although the scarcity of certain basic materials, such as steel, rubber, tin, graphite and paper, has undoubtedly been the motivating factor in the initiation of these programs, most companies did not confine their conservation efforts to scarce materials. Approximately half the companies reporting have concentrated on the conservation of office materials, supplies and equipment, while the other half have broadened the program to bring in all elements of office costs, including overhead expenses like heat, light, rent, etc., and wastes of time through employee inefficiency. *NOMA Forum*, June, 1942, p. 3:15.

NOTE: This article also contains an extensive check list of conservation suggestions. —Ed.

### *Cutting Costs of Office Supplies*

THE Brunswick-Balke-Collender Company, Chicago, has inaugurated a plan of office conservation which is predicated on three general principles: Use less whenever it is practical to do so; make things last longer; do not waste effort, time and material. A memorandum covering specific ways of office saving, which has been sent to all employees, includes the following suggestions:

1. Insert and remove carbon paper carefully to prevent unnecessary wrinkles and tears, and store it in a flat box.
2. Insert each new roll of adding machine tape carefully and fit it properly between the metal guides. Start the list of figures as close to the top of the tape as possible. Double space only if necessary.
3. Soft lead pencils are consumed much more rapidly than pencils with a harder lead; do not use a pencil with a softer lead than is required for your work. Sharpen pencils carefully; it requires but a few turns of the sharpener crank to point your pencil.
4. Keep erasers away from heat, which dries them, hardens them, and makes them less pliable.
5. Keep the cover of your stamp pad closed when it is not in use. Ink dyes crystallize when exposed too long.

The company has also initiated a system whereby erasers are issued only when stubs are turned in, new pencils are supplied only in exchange for pencil stubs (which must not be discarded if they are more than two inches long), and old stamp pads must be turned in before a new one is provided.

—*American Business* 4/42

## Improvised Efficiency

**T**ELEPHONE company officials recommend that each pair of cords on a switchboard be colored differently from the adjoining pair and that the colors of the signal lights correspond to the colors of the cords. They are not, however, acting from artistic motives. They know that most premature disconnects are 'due, not to manual error, but to a tricky reaction of the operator's eyes, which occurs when she is trying to follow one cord through a maze of lines which look exactly like it. They have *improvised* efficiency by taking cognizance of a psychological problem.

Eyes, ears and mind are constantly playing tricks on office workers, and the resulting mistakes are often mystifying to the people who make them. Some errors are detected at the time they occur, while others—especially those committed when the mind is in rebellion at the tedium of the task—can be discovered only when work is checked later. Both kinds can be minimized by improvised efficiency.

For example: Modern office machines do not make errors, practically speaking. Errors are due to lack of coordination in transmitting mental images to the machine keyboard. More often than not, the operator strikes *what he sees* but sees incorrectly. The angle of vision may distort one figure to look like another—a five like a three, perhaps. The only solution to this problem is to make certain that the original figures are set down clear-

ly and read under good fluorescent or natural light. Carelessly prepared bills from other companies may be "touched up" by someone with a neat hand, or the operator can be instructed to mark doubtful figures more clearly before beginning machine processes.

Almost every office worker must take rapid, readable notes by telephone, a process requiring special coordination of ears, eyes and hand. A large pad is more easily controlled than a piece of scrap paper. The telephone can rest firmly on the pad, holding it in place. Anyone taking messages continually may do better with a headset which frees both hands.

So much time is lost looking for lost pencils that some offices actually chain them to the desk, post office style. At any rate, each desk ought to have a special place for pencils, a place where the employee will look automatically instead of delving underneath stacks of papers. Incidentally, a No. 2 pencil, for light-touch impressions, requires less pressure, making more speed possible. A No. 3 is better for carbon work. Each worker should sharpen several pencils at once to avoid repeated trips to the sharpener.

A tremendous saving of time can sometimes be effected by using numerical symbols to designate specialized products. Certainly it is easier to check a figure, say 15138-X, than a long descriptive paragraph in which



the product is identified by detailed dimensions and specifications.

Time is wasted and papers torn when new correspondence is forced into tightly packed cabinets. Efficiency can be improvised by removal of sufficient folders to make the work easier. Currently used files should be readily accessible, while ancient history should be kept out of the way. Work should be so arranged that every letter taken from the files can be returned the day it is withdrawn; otherwise a reference system disclosing its whereabouts becomes necessary. There is no excuse for an employee's retaining folders he doesn't look at from week to week.

Routine processes that harmonize in purposes can be combined. Thus, if telephone tickets are entered on separate slips for each department and on a general summary, the same information can be recorded in one operation on the two forms, obviating the need for a recount of tickets.

There is urgent need for improvising methods similar to those illustrated above. Anyone who goes about the task with an open mind will almost certainly find ways to reduce tedium—and error—in office routines. BY E. J. BARTLETT. *The Office*, May, 1942, p. 10:3.

### *How to Relieve the Shortage of Machines*

**M**ANY firms in strictly peacetime industries, such as banks, insurance companies, hotels and retail stores, will feel the growing shortage of office machines, while their business will continue to expand because purchasing power is increasing.

The Policyholders Service Bureau of the Metropolitan Life Insurance Company, which sent out a questionnaire on the subject, reports that companies using "pooling" methods are getting satisfactory results. Pooling may be undertaken most effectively through the use of a central bureau system.

Users who have refrained from turning in old equipment when buying new machines can now have their old equipment repaired and kept in condition. It is also possible that machines over a certain age may be released for sale to those who cannot obtain the rating of A-9 or better which is needed to purchase new equipment.

One way of getting along with fewer machines is to divide the office force into shifts so that more than one employee can use the same machine. Of course, the more operating hours a machine undergoes each week, the shorter will be its life; but if new parts and efficient mechanics remain on the home front, a machine's life can be greatly extended.

Rented typewriters are another possibility. In fact, a large bank in Brooklyn, N. Y., has never purchased a typewriter and hence has avoided considerable capital outlay.

Then, too, it has been suggested that firms with more equipment than they need lend machines to those that are badly hit by the shortages. Naturally, nobody is going to volunteer such loans, but the matter might be arranged in various ways. For instance, suppose a hotel learns that the company from which it purchases carbon paper and ribbons can spare a calculating machine; if the hotel needs such a machine, a barter deal might be arranged. However, orders from Washington will probably ease the situation before anything of the foregoing nature is necessary or practical.

—*The Office* 4/42



## Personnel

### Womanpower Problems

THE No. 1 question for any employer faced with the necessity of employing women is, "Can they do the job?" In most cases the answer is yes. Their big limitations are lack of training and physical strength. If an employer is forced to use women for tasks beyond their ability, he can even get around these obstacles to a considerable extent by diluting jobs. Complicated jobs, usually performed by a skilled man, can be broken down into a series of relatively simple operations.

One employer, who found that women were too short to reach overhead machinery, solved the difficulty simply by building a wooden platform.

Most encouraging report on women as workers comes from the Bureau of Employment Security. BES surveyed a number of California plants (including an aircraft manufacturer, a radio manufacturer, and a maker of electrical parts) employing significant numbers of women. In every plant there was an increase in production per hour and a lowering of costs per unit when women were put on the assembly line. Part of the credit goes to the women only indirectly—competition between the sexes spurred men to higher production.

Other BES findings: (1) Women required less supervision and were easier to supervise; (2) labor turnover decreased; (3) the number of

industrial accidents decreased; (4) damage to tools and materials was considerably less than when similar work was performed by men.

Generally, experience in the last war and this indicates that women are best adapted to jobs which require patience, care, alertness, keen eyesight, and finger and hand dexterity. Women are now turning in records on work which involves reading blueprints and using such light instruments as gages and micrometers. Typical of the jobs to which they are adapted is wiring aircraft instrument panels. On this, airplane plants are finding women 50 to 100 per cent more efficient than men.

The troubles attendant on hiring women stem principally from assorted emotional, psychological, and physical peculiarities, rather than from women's inability to do a job of work.

Women tire faster than men. Many companies which had men standing up at their jobs as a matter of course found women dropping by the wayside. As soon as means were devised for letting the girls sit down, their production topped the men's. Women are likely to be more susceptible than men to noise, dirt, unpleasant smells and fumes, inadequate wash and lunchroom facilities.

In a study on women in war industries, the Industrial Relations Section of Princeton University's Department

of Economics queried 62 companies on their experiences with women workers. Most plants reported virtually no problem with absenteeism and turnover when women worked 40 hours a week. When women worked 48 hours or more, absences shot up, became much greater than for men in the same departments.

Absenteeism results less from fatigue and illness than from the fact that women—particularly women with children—have to take a certain amount of time each week for shopping and household chores, and if they can't work it in any other way, they'll take it on the plant's time. For some reason California plants have had less trouble with this than those in New England.

As more married women are drawn into industry, absenteeism probably will become an acute problem here, as it has in England and Germany. One way to get around it may be a six-hour day; there is talk of this in Washington now.

Bridgeport, Conn., already has worked out a system for dealing with absenteeism with the cooperation of local welfare committees, the civilian defense board, the C.I.O., A.F. of L., and a manufacturers' association. The Bridgeport plan is for personnel managers to employ no mothers without finding out if provision has been made for caring for children. If the mothers have no arrangements, they are referred to the Department of Public Welfare for help.

Women with children are given a choice of shift, since their hours

must be adapted to their children's and they can't be rotated. Plants post notices that this choice of shift has been granted at the request of the local civilian defense committee. This provision is particularly important, since the concession to mothers often cuts across seniority privileges.

Many married women prefer late afternoon and night shifts because they are able to be with their families and attend to household duties during the day. The trouble is that even the heftiest woman is likely to break down under the double burden. Night shifts for women encounter transportation difficulties, inasmuch as they are considerably more averse than men to waiting on dark corners for infrequent buses and streetcars.

The Princeton survey also scotches a few popular beliefs about women workers. Most plants find that—when children are properly cared for—married women and those with dependents make the best workers. Women who are married to male employees are particularly good. They have more loyalty and familiarity with company policies, don't add to housing troubles, and won't be a disturbing factor in postwar readjustments since they can be dropped from the payroll without throwing a family on relief.

Most plants report that men who work side by side with women cease to find them a disturbing influence within a week or two. Masculine antagonism likewise vanishes pretty fast, once women are actually in the plant. But the girls are likely to prove pretty

distracting to adjoining unfeminized departments. One company had to move the women's washroom because production came to a standstill every time a girl passed an all-male assembly line on the way to powder her nose.

Where women's output has exceeded men's, resentment has sometimes become acute. In one Connecticut plant, output shot up 40 per cent after women were taken on. The men got sore. They declared that the women were fresh on the job, hadn't settled down to a working "level" which they could sustain year in and year out.

Over half the states have special work laws for women—requiring one day's rest in seven, forbidding night work, or limiting the workweek for

women to 48 hours. Virtually all these laws have been relaxed since the outbreak of war.

Only a third of the companies questioned in the Princeton survey adhered to the policy of equal pay for equal work. Most of them admitted frankly that women were lower-paid largely because of the operation of supply and demand.

As the labor market tightens, pay differences are disappearing. The aircraft plants now have the same entering wage for women as for men. The London *Economist* comments that in England "the war has done the reformers' work for them," when it comes to women's wages. The same thing probably will happen here. *Business Week*, May 16, 1942, p. 20:2.

### *Strikes Since the Declaration of War*

FROM December 8, 1941, to the end of March, 1942, there were approximately 669 strikes, in which 170,592 workers were involved. Strike idleness during this period amounted to a little more than 1½ million man-days. More than one-fifth of these strikes have been classified as affecting war work directly or indirectly.

The degree to which the strikes affected war work varied a great deal. In some cases practically all and in others only a portion of the workers involved were engaged in the production of war materials. For this reason it cannot be said that all idleness resulting from these strikes was a loss of this much war production time. In fact, one of the large strikes included among those affecting war work was a strike of about 2,500 laundry workers which affected war work very little. On the other hand, some small strikes, by interfering with the production or flow of strategic materials, may cause bottlenecks and delays far more serious than indicated by the measure of idleness of the striking workers.

There has been no unusual concentration of strikes for any particular cause since the declaration of war, although many of them grew out of conditions and problems incident to the war effort. Increased wages have been demanded to keep pace with rising living costs; greatly increased work forces have raised questions of security for established unions; and war hazards for workers in certain occupations have resulted in demands for war-risk insurance; etc. Many disputes, on the other hand, have developed over issues of recognition, discrimination, and local grievances which would be just as likely to occur in peacetime.

—*Monthly Labor Review* 5/42

## New Agreements and Their Provisions

**A** RECENT study of current collective bargaining contracts by the Bureau of Labor Statistics shows:

1. An increase, but still very limited one, in the number of cost-of-living clauses for revision of wage rates.
2. A rise in the proportion of contracts providing for arbitration as the last step in grievance procedure.
3. Further spreading of the practice of paid vacations and liberalization of the qualifications for eligibility.
4. Enlargement of the number of agreements providing for premium pay on second or third shifts.
5. A diminution in the number of agreements which call for penalty pay rates for weekend work, such penalties being shifted to work in the sixth and seventh day in a workweek.
6. A new category of clauses relating to military service. They parallel or supplement the provisions of the Selective Service Act.

**Wages** — Despite the wartime emphasis on adjustment of wages in line with increases in the cost of living, only about 10 per cent of the new agreements contain such a clause. Most of the 10 per cent were supplemental to wage increases which went into effect upon the signing of the contracts. A large proportion of all agreements provided for wage increases either by a flat amount or on a percentage basis.

**Arbitration** — Although arbitration

clauses are on the increase, many of the agreements entered into for the first time do not contain such clauses or make resort to arbitration dependent upon the consent of both parties. The study notes that objection to arbitration clauses comes more frequently from employers than from unions.

More than half the workers in the automobile industry at the beginning of 1942 were not covered by arbitration provisions. More than half those in the aircraft industry, however, were covered.

**Vacations**—The trend toward paid vacations proceeded, most agreements providing for one week of vacation after a year of service. Many agreements which formerly forbade pay in lieu of vacations now permit this arrangement. A large number of contracts reduced the period which is required before employees are eligible for vacations.

**Shift Premiums**—The pressure of war production brought the matter of additional shifts into consideration under many contracts. The relative undesirability of work on second and third shifts is reflected in premiums for such shifts in many current agreements in which the matter was not covered before. A 5 per cent premium is common for the second shift, with 10 per cent for the third.

**Weekend Work**—Multi-shift operations have brought about reconsideration of arrangements for paying time



and one-half or double time for work Saturdays and Sundays. Some relaxation of this arrangement is noted in recent agreements, but most changes in this direction are in contracts very recently negotiated or modified.

**Military Clauses**—Military clauses are concerned chiefly with the seniority and reemployment rights of employees who leave to join the armed

forces. Some clauses merely restate in terms of the Selective Service Act the rights which drafted employees enjoy under the law. Others provide for cumulation of seniority so as to give automatically to those returning from military service preference over new employees hired during their absence.

*Labor Relations Reporter*, May 11, 1942, p. 351:1.

## Policies for Promotion and Discharge

THE importance of promotion and discharge procedures is not yet adequately understood. Too often optimism or egotism has made executives confident of their ability to "pick" men, even for advanced supervisory jobs, and has blinded them to the need for a factual analysis of the job to be filled and the qualifications required to fill it. Similarly, men have been discharged when a reprimand or a disciplinary layoff would have sufficed. And they have been let off with a reprimand when dismissal would have been better for all concerned, with the result that there are thousands of men on industrial payrolls who are truculent, indolent, uninterested.

Three obstacles stand in the way of the executive who is trying to improve promotion techniques:

1. In fairly recent days, workmen of doubtful managerial potential were made foremen simply because they were stellar workmen, and some of these men now have final authority on

all appointments made within their departments. They have little understanding of what the top executives of the organization are looking for in the way of departmental supervision.

2. There is often a tendency to overemphasize seniority in making promotions. "Harry is the oldest man, and I'm giving him a crack at the job," typifies the attitude of many supervisors. So Harry gets the job even though there is a younger man in the department with superior ability. Seniority should be considered, but merit must be the governing factor always.

3. The trend toward specialization in modern manufacturing makes it difficult to give young men the broad-scale work experience they need if they are to supervise the training and work of others.

Two procedures will be helpful in overcoming these obstacles and in obtaining the maximum long-range advantage from promotion policy:

1. Where there is doubt of the de-



partment head's ability to select men, he should be required to *submit his recommendation to a superior for approval*. If the proper relationship between operating and personnel divisions exists, the personnel representative will be in a strategic position to call the foreman's attention to the workmen whose ability, experience, record and education make them worthy of consideration.

2. The manufacturing and personnel divisions should plan how, when, and by whom key posts are to be filled in the future. Eligible individuals should be "earmarked" accordingly and given the necessary training.

It is impossible to list here all the circumstances under which a worker should be dismissed, but in general we may test the validity of a discharge by asking ourselves two questions:

1. Will the individual repeat the offense if he is retained, or will other employees commit the same offense if the incident is ignored or treated lightly?

2. If I were the offender, would I expect to be discharged?

There are also certain things a foreman can do which will virtually guarantee a frictionless discharge:

1. Talk the matter over with the employee when he first shows signs of failing.

2. In an informal conference with the department union representative, discuss the employees who are not behaving or producing properly.

3. Make a written record for employment office files of all complaints against employees *as they occur*.

4. Check the final decision and the reasons for it with a representative of the personnel division to make sure the discharge will "stick."

5. Take the final action in the employment office, explaining the reasons to the employee.

When the discharge is made, personalities should be left out of the discussion. A member of the personnel department (supplied with facts by the foreman) should tell the employee simply, directly and fully why he has failed on the job. If possible, he should also be told how he can prevent a recurrence of the trouble on his next job. The object is to have the man leave with a friendly feeling toward the company and without loss of confidence in himself. BY R. S. LIVINGSTONE. *Proceedings of the Silver Bay Industrial Conference*, July 23-26, 1941, p. 82:8.

### **Note on Nelson**

A GROUP of casket makers appeared before Donald M. Nelson recently, pleading for a continued supply of copper for their product.

Nelson listened in silence. Then, taking his pipe out of his mouth, he said quietly: "Gentlemen, we are not going to dig up copper merely to bury it again. Good day."

—Forbes 4/15/42

## Do Time Studies Result in "Speed-Up"?

**I**N highly industrialized sections of the country, the charge is frequently made by workers, labor leaders, and a few college professors that time study is a speed-up technique; they imply that management is trying by some legerdemain to get more out of the worker without paying for it and, what is more important, *trying to get more out of the worker at the expense of the worker's "hide."*

First, it should be pointed out that management has always tried to get more out of the worker. In Biblical times masters by piece rates, threat of punishment, or acts of kindness attempted to do, perhaps with less finesse, the same thing employers today are attempting. So to charge management with another mass-production malpractice is hardly in keeping with the history of technology and scientific management. Where management has made the mistake is its failure to take the worker into its confidence with some such statement as: "This is frankly a method to increase production to enable you and the company to make more money."

Second, there is another implication in the charge: "Time study with its resultant speeding up drives the worker at breakneck speed — burns him out in 10 to 12 years." To this it may be said: "Increased production may or may not be accompanied by increased physical effort. Indeed, one of the functions of the industrial engineer is to find ways of reducing

fatigue." Proof of this may be found in the effort expended by modern workers compared with the hardships of their fathers at similar occupations.

Years ago the writer was intrigued by the sight of order-fillers and messengers in the Chicago plant of Montgomery Ward & Company: They wore roller skates to cover the miles of aisle space. Surely these workers covered more ground (and did more work) than they did on foot, *and with much more fun.* Regardless of who suggested this idea—an industrial engineer or one of the messengers—the advantages outweighed the disadvantages.

No one can deny that the traveling salesman makes more sales by using the train, bus, airplane, or automobile than by walking. The worker turns out more work with less effort when he is supplied with a vise than when he is compelled to use his one hand and a pliers to hold a piece of steel. So it cannot be said, dogmatically, the more a worker turns out the faster he burns out. But it cannot be denied that frequently increased production does require greater physical (and nervous) energy on the part of the worker. When this is the case, he should be compensated for this increased effort. To this most executives will agree. The question then arises: "How much (more)?"

To answer this question would require several volumes. But to avoid

it altogether would be an academic feint for a practical problem that must be answered soon if management expects to maintain the respect and confidence of its workers.

A few general rules may be given that should govern company policy in this problem:

1. The worker should be guaranteed at least 90 per cent of his former earnings (average of the last 10 weeks, or of the same period a year ago in the case of a seasonal industry).
2. The employee should be guaranteed an hourly rate insuring him

against financial loss or at least giving him a minimum upon which to count in case he doubts whether he can "make out."

3. The department being time-studied must be guaranteed greater hourly or man-hour earnings if former man-hour production records are exceeded.
4. Jobs within the department must be guaranteed for six months—no layoffs within that period on the jobs studied.

BY HAROLD R. NISSLEY. *Industrial Management Society Bulletin*, April, 1942, p. 6:2.

### ***Company Shares Bond Cost as Bonus for Thrift***

**E**Mployees at the National Carbon Coated Paper Company are buying \$18.75 bonds for \$10, since the company contributes \$8.75 toward each purchase up to one a month per employee. The payment is considered in the nature of a bonus for thrift, as well as a contribution to the war effort.

Any employee may pay the secretary of the company \$10 in cash each month for the purchase of his bond, or he may authorize the company to deduct the money from his pay. While there is nothing compulsory about the plan, it is not surprising that the response has been almost unanimous.

"We are aware, of course, that it is possible for employees to take an unfair advantage of this plan," M. J. Bostetter, secretary of the company, points out. "They could buy the bonds in this way and sell them in 60 days and pocket the money which the company contributed. To forestall any such trading, we have warned them that any sales of the bonds would become known to us, and we would feel obliged to recall the offer so far as the offending person was concerned."

—*American Business* 4/42

### ***Extent of Collective Bargaining in the United States***

**A**T the beginning of 1942, about 55 per cent of all workers in manufacturing, mining, building construction, and transportation were employed under union agreements. However, less than 10 per cent of those engaged in wholesale and retail trade, personal service, clerical, technical and professional occupations were covered by such agreements. Since this latter group includes about 40 per cent of all persons who could be considered as potential union members, the total proportion of all workers employed under union agreements would be about 30 per cent. The total union membership in January, 1942, was approximately 11,000,000.

—*Monthly Labor Review* 5/42

# Production Management

## How Subcontracting Can Be Made to Work

LET'S take a good, clear look at this vital question of subcontracting. Where do we stand? While exact statistical measurement is impossible, a confidential sampling survey has indicated that about 25 per cent of defense production is currently under subcontract—an improvement over the estimated 15 per cent of last September but a far cry from the 50-plus per cent that our Axis rivals are said to have achieved.

Can subcontracting succeed? "It's got to. It's a matter of national life and death!" exclaims a key official. "We simply can't win if we depend entirely on new facilities." *The one major government action that seems predictable at the moment is some attempt to make a certain percentage of subcontracting mandatory for prime contractors.*

It has been said repeatedly that 56 of the nation's industrial companies have received 75 per cent of the dollar volume of war contracts. This was true enough at the time the figures were released last summer, and as no later data are available the same figures still roll glibly from the tongues of professional business baiters. Yet no friend of industry will pretend for a moment that the big companies have done all they can to spread war work. What, then, are the specific things industry must do?

**Rule 1.** Every company, big or lit-

tle, should have a competent, active subcontracting department. If a company consists of two men, one of them should be a subcontracting specialist.

**Rule 2** (for big companies). The subcontracting department should not be considered an executive stepchild but a major operating branch with a definite assignment. It should be given all the authority and personnel necessary to accomplish its task.

**Rule 3.** The function of the prime contractor's subcontracting department shall be:

a. To assemble a competent staff for negotiation and inspection.

b. To assemble complete data on sources through liaison with the War Production Board (Contract Distribution Branch), field procurement officers of the armed services, industrial associations, Chambers of Commerce, etc.; through representation at clinics; through advertising if necessary; and through friendly reception offices at the plant.

c. To see that the hardest jobs are performed at the plant and the easiest ones delegated to subcontractors at prices that allow a fair profit.

d. To see the job through at the subcontractor's plant, to supply him with materials, jigs, fixtures, operation layouts, time-study data and—if need be—tools.

**Rule 4.** The function of the subcon-

tractor's business-getting department shall be:

a. To visualize its job as a fight for individual survival and to realize the cruel truth that *nobody* in government (except a handful of Congressmen) cares anything about the preservation of "small business"—except the small business that can and will produce for war.

b. To assemble, in multiple, complete data on facilities—number of employees, number that could be used on extra shifts, number of shifts now and their length; list of machines by size, type, manufacturer's name and serial number, year built, tolerances to which they will work; number of machine-hours idle per week at present (broken down by machines); adequacy of power sources; shipping facilities; etc.

c. To maintain contact with nearest office of the Contract Distribution Branch, whose function it is to help potential subcontractors get in touch with prime contractors and to provide information on bids, priorities, contracts, financing, etc.

d. To do an imaginative, aggressive and persistent engineering and selling job in pursuit of any business that

seems within reach; to figure prices at a fair profit only; to circularize and visit in person the subcontracting departments of prime contractors, near and far; to join eagerly in all proposals for pooling—in a word, to fight for business and leave no stone unturned.

*Rule 5.* All companies, large and small, should train replacements for workers likely to be drafted.

Call it subcontracting or call it conversion, it's vital. Small plants which have been producing non-essentials will *have* to learn how to make war supplies on subcontract. And it can be done; it has been done in many cases, in fact. For example: A firm which formerly made vending machines is now turning out dies for bullets; one which manufactured silverware is now producing reflectors. Others have gone from merry-go-rounds to aircraft and tank work; from orange squeezers to bullet tools and gauges; from hair curlers to aircraft assembly clamps; from carpets to gun barrels; from toy trains to binacles, compasses and gunsights; from pipe organs to test tube stands. *Factory Management and Maintenance*, March, 1942, p. 58:14.

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► IN ONE AIRPLANE PLANT, according to D. Grant Mickle, president of the Institute of Traffic Engineers, New York, employees spend a total of 36,000 hours a day parking and unparking their cars. The Institute recommends that specific routes to work be laid out for employees in war-industry areas; that hours be staggered in large plants, stores and schools; and that traffic bottlenecks be eliminated.

—*Dun's Review* 5/42



## War Industries Face New Hazards

**T**HERE are 41 toxic substances commonly used in industry, and the production man whose plant has converted to war work may find that operations now require the use of dangerous substances with which he is unfamiliar. There are new hazards inherent also in the stepping up of processes and in the fatigue caused by overtime.

For instance: The use of radium in airplane instrument dial painting is something to watch; expert advice should be asked in the beginning. Another factor that will require attention is the dust count; if it becomes greater under increased production and minor explosions occur frequently, the warning should not be disregarded. Then, again, magnesium files, chips or shavings may get into workers' shoes or trousers and have been known to ignite.

The rapid expansion of the aircraft industry has developed hazards that are not always recognized in the beginning. Tri-chlor-ethylene, which is extensively used as a degreaser, is a hazard when not employed correctly. Safety requires that tanks have a sufficient number of cooling coils and that the cooling water be sufficiently cold to condense the vapors before they escape from the tank. The tank itself should not be exposed to a draft; otherwise a vacuum may be created which will draw the vapor out.

In cleaning the fuselages of aircraft on the inside, where carbon tetrachloride is used, there is danger of asphyxi-

ating the worker in the small space of the fuselage. In one plant a serious explosion took place under such conditions.

In shell-loading plants, dermatitis frequently results from handling TNT. This explosive is a skin irritant as well as a systematic poison. Dermatitis resulting from handling it is characterized by erythema, papules and vesicles, and is usually more likely to occur during the summer months when workers perspire freely. And it is a good idea to lay off alcoholic drinks while on a shell-loading job—for obvious reasons.

Another hazard aggravated by war production occurs in the handling of metallic sheets and the like, where welding is so important. Numerous accidents and fatalities have resulted from welding in poorly ventilated tanks. No good safety engineer would permit a man to work in a tank without an operator on top with a lifeline.

In shipbuilding, electric welding has come into wide use, and one of the new problems is to protect nearby workers from the arc. This is best done by using a portable shield or framework over which canvas can be thrown and by requiring all helpers to wear goggles.

Some states maintain industrial hygiene divisions which are equipped to answer questions regarding the health and safety of workers. If your state does not provide this consultation service, information may be obtained from the Division of Industrial Hy-

giene, U. S. Public Health Service. Excellent printed matter is available also, and a recent publication which should be of special interest to anyone who is responsible for the health and safety of workers is *Special Bul-*

*letin No. 3, "Protecting Man Power,"* issued by the U. S. Department of Labor, Division of Labor Standards. BY LEWIS E. MACBRAYNE. *Factory Management and Maintenance*, March, 1942, p. 72:4.

How Can Anyone Think of His Own Profits, Wages, Hours or  
Political Gain These Days?



—DARLING in the *New York Herald Tribune*

# Marketing Management

## The Transportation Problem

**S**OLUTION of the transportation problem is presumably at least two or three years away. The situation in regard to the movement of both men and products is in a state of flux, but the development of a general perspective on the whole question seems to be worth while, even though difficult. As of the current date, this is the over-all picture:

1. Sales methods will have to take account of the fact that there will be fewer goods to sell, fewer specialties to feature, less competition to meet. Grading, labeling and standardization of products, largely under government control, seem likely.

2. The cost of distribution must and will come down. This means fewer salesmen in many lines; less traveling by salesmen; fewer contacts by salesmen with customers and prospects; more use of the telephone, business paper advertising and the mails; less expensive direct mail figured on a unit-cost basis; less point-of-sale promotion, at a lower cost per unit, with longer life per unit; reduction in sales development work.

3. Reduced sales for products requiring long hauls and extensive unit use of transportation facilities. There will be a tremendous increase in what may be termed sectional selling—oodles of Georgia peaches for the people of Georgia, gobs of Vermont syrup

for the citizens of Vermont and other New England states.

4. To insure equality of sacrifice, compulsory conservation of transportation facilities may become imperative.

It is futile, of course, to count on getting any more passenger cars or tires for salesmen and, in addition, selling organizations should be prepared to face curtailment in the use of those they now have. Railroads, buses, even bicycles if English experience is a criterion, are likely to be used more extensively. Trucks do not ordinarily sound like an answer, but no small number of concerns are already making truck drivers out of salesmen or salesmen out of truck drivers. Letting salesmen walk may sound far-fetched now, but use of this oldest mode of transportation is actually wise and patriotic. One of the large food companies recently instituted a rule that each salesman must do one day's selling on foot.

Naturally, if the salesman is walking or using public transportation facilities he cannot carry heavy point-of-sale displays. In view of this fact, several concerns are mounting lithographed sheets on corrugated board instead of the usual heavy material; 100 panels of this kind can be rolled up and carried under the arm. Another device consists of creating point-of-sale display material on what might

be called a calendar base—so that change of copy may be effected by tearing off sheets like leaves from a calendar. This makes it necessary to carry only one piece of material to the point of sale.

Where selling to retailers requires the display of sample products, special demonstrations or special merchandising exhibits, it seems probable that attempts will be made to bring customers to hotels in some central point. Sellers' markets and product shortages are making it more and more imperative that buyers go to sellers instead of vice versa.

In the matter of rail freight service, it is hard to predict what will happen. The sudden reversal of policy by WPB, which practically put a stop to the con-

struction of freight cars and locomotives (except those on order), changes everything. Before this order came along, the railroads were confident that they could carry the load, *no matter how heavy*, because they could always build new rolling stock at least as fast as the need for it developed. Unless the WPB relents, the sole hope is that better economy in the use of present equipment will make it possible for them to absorb extra loads. As far as 1942 is concerned, *maybe* they can just about do this—but without counting on much diversion from trucks this year because of the tire shortage. But the prospects for next winter and the early months of 1943 are mighty bad.

BY RAYMOND BILL. *Sales Management*, May 15, 1942, p. 56:6.

## What's Ahead for Branded Foods?

**A**NY day now we can expect to hear some pundit assert that the day of the so-called private brand has drawn to a close, leaving the field clear for the national brand. Better days for packers' and manufacturers' brands are certainly indicated by many factors, but it is idle to assume that there will be no more national or private brand problems. The interplay of many forces must be taken into account.

Foremost is the now-famous tin order and other packaging restrictions which will force drastic changes. Others are price ceilings; the upsurge in consumer spending; huge govern-

ment buying programs; possible changes in brand preferences; changes in character and amount of food advertising; increase in home gardens, home canning and preserving; changes in store methods; spread of dehydration; revival of the cracker-barrel procedure; transportation difficulties; increased taxation; and the greater emphasis which food stores will be forced to place on fresh fruits, vegetables, baked goods and prepared foods—the last partly in cooperation with the government's nutrition drive but more because of inability to obtain many of the foods now featured.

For the first time in many years



there is no excess producing capacity in the food business. Packers and manufacturers who once welcomed a chance to provide distributors with private brand merchandise, even though furnishing competition for their own brands, will naturally be loath to sell unbranded products while unable to satisfy all calls for their own brands. If they do sell, there is little likelihood of their allowing deep differentials between their own brands and products released for private brand distribution. This puts the private brand distributor squarely on the spot because his brand will have lost its best (and sometimes only) appeal—a better price.

But this still lacks much of heralding the end of the private brand.

The American Institute of Food Distribution, Inc., recently made a survey on this very point. Canners and manufacturers were almost unanimous in predicting troublous times for the private brand distributor but were equally emphatic in insisting that they would take care of *loyal* customers to the best of their ability. They admitted that on numerous items it would be necessary for them to ration shipments, but many reported a willingness to ration even their own labels.

Large chains and wholesale organizations move too much merchandise to be tossed lightly aside. The memory of buyers' markets is too fresh for sellers to believe the scales will forever be in their favor.

Full control over prices means more than merely fixing the levels at which producers or processors may sell. Be-

fore the job is finished, the OPA probably will set maximum markups for wholesale and retail distributors. This is a ticklish business that OPA would like to avoid, but it had to be done in the last war and probably will be done in this one. Freezing of prices as of a specified date looks good on paper and will work for short periods but, in practice, so many adjustments are necessary to remove inequalities that it is simpler to determine maximum margins.

If this latter step is taken, the food trades are certain there will not be provision for different margins on national and private brands. When private brands cost the distributor as much as national brands and a long margin of profit is denied him, he is certain to lose much of his interest in private brand merchandise.

Some prophets are predicting such dire changes in distribution that it is difficult to know whether the prophets should be honored or treated merely as worry-warts. Some expect supermarkets to lose up to 40 per cent of their business; others say that the modern, up-to-date food store is "out for the duration" because the cracker-barrel era is coming back. The truth of the matter is that nobody can make more than a guess about it. Undoubtedly there will be tremendous changes before the war is over, particularly if it is prolonged . . . the present status of food distributors in England is proof of that.

It seems certain some supermarkets will suffer, particularly those large stores, located in the low-rent outskirts

of a community, that depend for full volume on shoppers using their own cars. When consumers have more money to spend, they are not such avid bargain hunters. And there will be more money to spend for food since most other consumer lines will be sharply curtailed. As a conservative guess, the supers may lose as much as 15 per cent of their present volume.

Probably the chief beneficiary will be the complete neighborhood stores, carrying a full line of dry groceries, meats, baked goods, fresh fruits and vegetables. Many popular shelf sizes of canned goods will be missing, and retailers will have to cut large cans and ladle the contents into paper cups or containers brought by their customers.

Some of these changes are already under way. A check with a cross-section of distributors across the country shows, for instance, that loss-leader advertising has practically disappeared. Stores are selling some merchandise at a loss, but they are not shouting about it.

All these shifts tend to equalize the price spread between neighborhood store and supermarket. This trend will become more evident as the cost ratios of the large markets start climbing in proportion to their loss of volume while those of well-run neighborhood stores tend to decline, or at least remain stationary, while volume increases. BY GRANT GORE. *Advertising & Selling*, May, 1942, p. 16:3.

### *Cars and Gas for Salesmen*

UNDER somewhat relaxed OPA regulations, salesmen are allowed to buy new automobiles if they can prove that: (1) they must travel more quickly than common carriers permit; (2) they must transport passengers or heavy equipment; (3) they can save at least 45 minutes getting to and from work; (4) they have to walk more than three miles getting to and from work; (5) their hours are unusually long, calling for night work; (6) their physical condition makes public transport a hardship; (7) local transport is overcrowded; (8) or they clearly need automobiles for other sound reasons.

Salesmen can get "B" gasoline ration cards allowing them to buy from 33 to 57 gallons up to July 1, depending upon the proved mileage they must cover. If this should be inadequate, local boards can issue supplemental ration cards to them.

—*Sales Management* 6/1/42

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► HOW ONE SALESMAN has partly solved the transportation problem and speeded up delivery is disclosed in a news dispatch from Gastonia, N. C. T. B. Rinehart, grocery operator, calls at the doors of his customers each morning with a basket of pigeons under his arm. The orders are written on tissue paper, and back to the store go the pigeons. Mrs. Rinehart has the orders filled and on their way before her husband has returned from his round of calls.

# *Financial Management*

## **Tax Problems of Pension and Profit-Sharing Plans**

**W**ITH individual and corporate income taxes rising rapidly at present but with lower rates probable in the postwar period, a pension or profit-sharing plan appears to be one of the best over-all tax bargains available today—that is, if it is one of those in which the employer may deduct his contribution in the year in which it is made, while the beneficiary need not report benefits as taxable income until he actually receives them. There are, however, a number of potential pitfalls in the tax aspects of these plans.

If the plan complies with the provisions of Section 165 of the Internal Revenue Code, then under section 23 (p) of the Code the corporation is specifically allowed a deduction from gross income for its contribution, not only to the extent of the pension contribution accruing during the taxable year but also for one-tenth in each of 10 years of some amount paid in excess of the current accrual.

To qualify as a Section 165 trust, the statute provides that:

1. The plan must be for the exclusive benefit of some of or all the employees.
2. The earnings of the trust must go to the employees.
3. No part of the trust may be diverted to other purposes until all liabilities to employees are satisfied.

Income of such a qualified trust is not taxed to the trust, nor is a distribution of the trust taxed to the beneficiary except in the amount “actually distributed or made available” and “to the extent it exceeds the amounts paid in” by the beneficiary.

What, then, are the problems involved in qualifying a trust under Section 165?

The first relates to the selection of persons eligible to participate in the trust. A 1940 ruling of the Bureau (I.T. 3346) held that 50 selected employees out of 25,000 constituted too small a group to qualify the trust under Section 165. On the other hand, the Board of Tax Appeals has decided that a restricted number of beneficiaries—seven officers—did not disqualify a trust. The Commissioner's attitude at the moment seems to be that if beneficiaries are determined by some general principle—if all above a certain salary scale are included, or all who have been employed a certain number of years, for instance—the trust will qualify; but if the beneficiaries are hand-picked, it will be challenged. Certain it is that a trust whose beneficiaries are limited to a few persons, all important stockholders, is in grave danger of being challenged. In any case, a plan under which the employee pays part of the cost of the pension program is believed to be gen-

erally safer than a non-contributory plan.

Most of the contingent problems of pension and profit-sharing plans are related not to the deduction by the corporation but to the incidence of taxation to the individual beneficiaries. In order to avoid the danger of having pension benefits ruled to have been constructively received by the beneficiary, consideration should be given to the possible pitfalls. First of all and basically, the plan should be a bona fide benefit plan—not just a subterfuge for the postponement of taxable income. The following affect this aspect of the plan:

1. *Selection of the group.* The larger the number of eligible participants, the safer the plan. Selection by general rules seems better than arbitrary designation of a few individuals.

2. *Selection of trustees.* If all the trustees are also the major beneficiaries of the plan, and they are given broad discretionary powers, the plan may be challenged. The more removed the trustees are from the plan's benefits, the safer it will be.

3. *Powers of trustees.* Too great discretion in the trustees as to selection of time of distribution and amounts to be distributed may give the plan a bad appearance, especially if the trustees are in substance controlled by or subject to strong influence from the beneficiaries.

4. *Rights of beneficiaries.* If the

beneficiaries are given too many rights under which they may elect benefits, potential "availability" comes dangerously close to actual. The safest course would appear to be the retention by independent trustees of substantial powers, leaving the beneficiary only the right to receive certain amounts in specified years.

5. *Uniformity of provisions.* The plan should work on an equal basis (or nearly so) for all beneficiaries. Jones' retirement benefits should not start at 50 if Smith's start at 65. The plan should operate along general rules applicable to all.

In closing, it may be emphasized that most of the law on this point is yet to be made. Because pension plans have only recently come into general popularity, it may be many years before existing uncertainties are resolved by litigation and legislation. A good policy in these matters, therefore, would seem to be: Proceed, but with caution, and where possible procure specific rulings of the Bureau upon the plan involved. BY GEORGE F. BREWER. From *Accounting, Auditing & Taxes: 1941* (Papers presented at the 54th annual meeting of the American Institute of Accountants), p. 80:6.

NOTE: The House Ways and Means Committee voted June 4 to exempt pension trusts from taxation only if they cover at least 70 per cent of a company's workers who have been employed five years or more and if they do not discriminate in favor of company officers.—Ed.



## Insurance

### Fire Prevention for Defense

**"I**NVESTIGATION by the FBI of every alleged instance of sabotage has failed to reveal a single case caused by fire," wrote J. Edgar Hoover, Director of the Federal Bureau of Investigation, recently.

There have, however, been some extremely serious explosions and fires in defense industries. If saboteurs are not to blame, then the responsibility must be placed on careless workmen, dangerous working conditions, inadequate protective devices, etc.—nearly all of which ultimately come to roost on the shoulders of management. It would be convenient to shift responsibility for fires to the saboteur, but the facts simply won't permit that alibi to stand.

Yet, as Mr. Hoover points out, the saboteur is a real and ever-present menace to be guarded against. Among the recommendations for fire prevention made by the FBI, insurance companies and other interested agencies, the first ordinarily is that protection against saboteurs be provided. Investigation of employees, fencing of properties, floodlighting, provision of identification badges for employees, and similar steps to keep out trespassers are urged. In addition, employees' automobiles should be parked well apart from important plant buildings, and shipping and receiving platforms should be segregated in a similar manner. Even the sewers running to a

plant should be guarded. It seems hard to believe, but FBI men have walked into some plants, even after working hours, and wandered through every department without being challenged.

Within the plant itself, according to the experts, one of the most important precautions is to avoid large accumulations of combustible materials. Crown Cork and Seal Company, Baltimore, lost 10,000 bales of cork—a year's supply of new material now under priority control—through a fire that started in one corner of an outdoor storage area. Had the cork been separated into small lots, the fire could have been controlled. Instead, it spread until it consumed not only the cork but two sprinklered storage buildings, nine boxcars, and other property. The total direct loss was \$1,000,000.

More frequent inspections of fire-fighting equipment are a prime requisite also. Only last year a large mill in Fall River, Mass., was completely destroyed because its automatic sprinklers were disconnected. This has happened so frequently that fire-prevention experts have devised rigorous procedures to insure that no water supply valve will be turned off a moment longer than is absolutely necessary. So long as a valve remains closed, they assert, a responsible executive should have a reminder constantly on his desk.

Experts recommend also that fire brigades be organized among the workmen and that the entire employee group participate in fire drills. In addition, specialists have long been campaigning for a new policy in respect to watchmen: Instead of the traditional old men who have long since passed their prime, watchmen should be young, alert and trained to fight fire.

Leading industrial concerns that are already well protected against fire and sabotage are now taking extra precautions. At the Eastman Kodak plant at Rochester, special precautions include a boxcar loaded with sandbags and trucks to carry them to any point at which a bomb may be discovered. At Briggs Manufacturing Co., all

sprinkler valves are now checked twice every 24 hours, with an extra inspection every Monday morning. Fire inspectors are constantly on duty, and they are the only persons allowed to open or close valves controlling any part of the sprinkler system.

Fire prevention and fire fighting have become a highly technical business and obviously should not be entrusted to amateurs. Highly trained engineers now specialize in this field, and one top-ranking technical college offers a special four-year curriculum leading to the degree of Fire Prevention Engineer. In the last analysis, the best counsel with respect to fire prevention is, "Get the advice of a fire-prevention engineer." BY DANIEL F. NICHOLSON. *Commerce*, October, 1941, p. 13:3.

## New Factors in Workmen's Compensation

**H**OW the increased employment of women will affect workmen's compensation claims is something underwriters have not ventured to predict as yet, but they are watching the situation carefully. Some insurance companies have already hired women claim adjusters, on the theory that it takes a woman to catch female malingerers.

A very high percentage of compensation claims has hitherto come from men, but the proportions are already beginning to shift. While there is not enough evidence to date to determine

what the difference between male and female claims will be, probabilities are that the mass entry of women into industry may alter the compensation situation not a little.

For instance, as John P. Keevers, resident vice president of Maryland Casualty, Chicago, points out, most plants are set up for men; lights, benches and processes were designed with male workers in mind. Consequently some changes in procedures may be necessary. Then, too, there are physiological and psychological factors to take into account: The usual ills of women must be considered, for in-

stance. Again, a man will work with a cut finger, but will a woman?

A major point, however, is the matter of training. Over a period of years, managers and insurance companies have drummed safety into male workers, and those who have been in industry a number of years have become thoroughly safety-conscious. But most women have had no training in safety at all. Already reports indicate that women are losing more time as a result of off-the-job accidents than men; this is significant because safety-mindedness, once inculcated, protects the worker both on and off the job.

And the influx of women into industry is not the only factor that is complicating the compensation situation. For instance, aircraft factory compensation was a small matter a year ago; now it has grown tremendously and is still growing. These factories haven't the safety background of other types of plants, nor do they possess the val-

uable core of safety-minded employees so often found in older industries.

Then, too, the rating structure lags approximately a year behind experience, which means that in a time of rapid changes like the present the insurance companies can't tell what is coming. Compensation benefits are paid on the basis of the average wage; with wages rising rapidly, larger payments may be required under a policy issued at a rate based on minimum payments. Along with this, the cost of settling claims is rising sharply: hotel costs and traveling expenses are up, and help must be paid more.

Another point is that the threat of federal taxation has produced a change in the attitude of executives in some of the larger industries. If they are obliged to give back 94 per cent of excess profits, the rate will not be as important a factor as it has been heretofore. *The National Underwriter*, May 28, 1942, p. 26:1.

### ***Safe Clothing for Women Workers***

**A**PPROXIMATELY one-half the companies included in a recent survey of 62 industrial plants stated that they had some special clothing rules for women in factory jobs. The least stringent of these called only for "sensible" clothing, or specified no loose clothing that could be caught in a machine, no jewelry or hairnets, and the wearing of low-heeled shoes. Sixteen companies out of the group required women to wear a standard uniform—slacks and a shirt with short sleeves, a smock or a Hoover apron. In some cases the uniform was provided by the company.

A number of executives of companies which had no clothing rules stated that such rules were needed. Comments were made about shoes particularly. One safety engineer said that most of the first-aid cases resulting from falls on staircases or on slippery floors were due to high-heeled shoes. Another recommended flat-heeled shoes, particularly for women and girls whose work involved standing, but said that a great many of the women workers in his plant wore old, high-heeled shoes, which in his opinion made them more subject to fatigue and more likely to have accidents.

The reported experience suggests that if safety and efficiency demand a particular type of clothing the requirements must be stated in a rule readily understood by all employees. Recommendations are not enough.

—From *Women in Defense Industries* (Department of Economics and Social Institutions, Princeton University)

## Workers Stage Keep-Fit Drive

**A**RE American manufacturers and business men doing *all* possible to advance the war effort? The employees of Carrier Corp., Syracuse, N. Y., asked themselves this question, and came up with an answer so simple that they decided to do something about it.

Carrier workers felt that a higher standard of physical fitness among executives and workers would be a definite contribution to the nation's War Production Drive. A program to achieve this objective was accordingly mapped out.

The entire proceedings were employee-conceived and conducted. Fortunately, the company had an employee club devoted to recreational and social activities, and this proved to be a natural nucleus for such an undertaking because the drive for greater production afforded a perfect tie-up with its annual membership drive.

First, a letter which outlined the purpose of the campaign was sent to all departmental superintendents, soliciting their active support.

Second, a committee large enough to reach every employee by personal contact was organized.

Third, a rally session of this committee followed, at which the advantages of recreation and relaxation as a spur to production efficiency were emphasized.

Fourth, the specific benefits of bowling, basketball, riding, tennis, ping pong, softball, women's activities, photography, rod and gun, dramatics and music were portrayed vividly by the directors of these activities from the Recreation Club.

Fifth, mimeographed copies of each of these talks, in abbreviated, high-spotted form, were given every member of the Drive Committee, to be distributed to employees.

Sixth, three successive issues of the employee house organ announced the opening of the drive, stated its aims, and followed up with progress stories, plus pictures of the No. 1 member in the office and factory being signed up.

Seventh, weekly 11" by 17" posters on all company bulletin boards brought home the specific advantages of employee fitness as a factor in national defense, utilizing the slogan, "Do Your Bit—Keep Fit . . . for Uncle Sam, for Victory, for your personal well-being."

Eighth, daily messages on company cafeteria menus provided constant reminders of the need for physical fitness and the "painless" ways the Recreation Club suggested to acquire it.

Ninth, a large Victory shield in patriotic colors and design served as a day-to-day booster of "Recreation for Morale" on a large display board in the office vestibule.

From a purely hardheaded business viewpoint, this program will increase the productive capacity of both worker and employer and elevate safety standards throughout the company.

—EDWARD J. LUSH in *Forbes* 5/15/42

## Record Protection Practices

**T**AKING precautions against destruction of important records by air raids is becoming fairly general practice, a survey conducted by the New York Chapter of the National Office Management Association reveals. Of 56 executives who replied to the question, "Has your company adopted special precautions?", 33 said they had and seven others answered that they contemplated doing so.

Twenty-two of the companies are shipping duplicates to safer spots; 12 are sending the original records away. Seven companies have constructed bombproof vaults for record storage.

—NOMA Forum 6/42



# *The Management Question Box*

## **Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau.**

*Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.*

### **Salary Payments During Illness**

**Question:** Is it standard practice to pay salaried workers during absences caused by illness and non-industrial accidents?

**Answer:** The practice of continuing payment of salary to workers absent because of illness or non-industrial accidents is undoubtedly widely prevalent, but the amounts paid and the length of time payments are to continue seem to be largely left to the discretion of management. However, while only a relatively small number of companies have formulated written policies, it is possible that a great many others have definite but unwritten plans and are acting in accordance with them.

A study of handbooks for office employees reveals that company policies vary widely on this matter. Thirty-eight concerns—20 manufacturing firms, 13 insurance companies, and five financial houses—were represented in the survey. Twenty of the companies have definite plans; five others have plans but permit deviations from them at the discretion of management; six leave the payments entirely to management's discretion. In seven of the handbooks there is no statement of policy on this matter at all.

Of the 20 manufacturing companies, 10 have adopted some specific plan of salary payments during illness, and in eight of these firms the employee may obtain additional payments through mutual benefit associations or health insurance. In one manufacturing concern an employee absent because of illness or non-industrial accident continues to receive his salary for two weeks—no matter how long or how short his period of service. Under any one of the other nine plans, however, payments may vary widely among length-of-service groups. Maximum amounts allowed are as follows:

- A. Full salary for a week; half salary for 15 additional weeks
- B. Full salary for 11 weeks

- C. Full salary for 26 weeks
- D. Full salary for a week; half salary for the next six weeks
- E. Full salary for four weeks; half salary for the next four
- F. Full salary for a month
- G. Full salary for 12 days
- H. Full salary for two weeks
- I. Full salary for 39 weeks

The company which continues payment of salary during a 39-week absence does not keep the employee on the regular payroll in such a case; instead, he receives an amount equal to his salary from a special fund bequeathed to the firm by one of its original owners. Also, of course, the maximum amounts are paid only to employees 'with a number of years' service—sometimes the requirement is as much as 20 years or more. A number of the plans provide for payment of a week's salary for each year of active service, with limitations or additions of various kinds.

Of the 13 insurance companies, nine have definite plans for continuing salary payments during illness; three have group health and accident insurance; one company has both, and an employee's mutual benefit association as well. Three of the insurance companies leave the matter entirely to management's discretion, and four make no statement of policy.

Of the nine plans, three provide for a uniform allowance: An employee may be absent six days in six months without loss of salary in one case; 14 days in a year, in the other two. The other insurance firms with definite policies have set the following amounts as maxima: full salary for a year, plus half salary for the rest of the time the employee is absent; full salary for absences up to 12 days in one year; full salary for absences up to six months, and half salary for the next six months; full salary for two months; full salary for eight weeks and five-sixths of the salary for the next 60 weeks. One insurance company handbook states that full salary will be paid for a number of days equal to the number of months of service, and half pay for a similar period. Here again it should be noted that the very generous maxima listed in some handbooks apply only to employees who have been with the companies for a long time. With respect to minima, insurance company practices seem even less uniform than those of the manufacturing firms.

Of the five companies in the financial field whose handbooks were studied, only one appears to have a definite plan for continuing salaries during absences due to illness. To state this plan briefly without considering its various limitations, it provides for two weeks' full pay for each year of active service, up to 50 weeks' maximum. None of the financial organizations has a mutual benefit association or group health and accident insurance, although two provide for hospitalization. The number of financial

concerns included in the survey, however, was too small to permit of generalizations.

The most recent of the statistical surveys on this subject covering any sizable number of companies was that undertaken by The National Industrial Conference Board in 1940. This study included 476 companies, of which 202 were found to have no standard policy; and the plans reported varied widely. Among those with uniform allowances, the only considerable grouping was that of two weeks' pay with management approval necessary thereafter, while a fairly large number allowed a week's absence with pay for each year of service up to some stated maximum. Companies surveyed were largely in the manufacturing field, although the distribution of answers according to types of companies was not shown in the study.

That there can be no typical or ideal plan is evident. However, the following examples from widely different fields show how plans of sick-leave compensation may be formulated:

#### A. STEEL COMPANY

The continuation of salary described in the following section is voluntary on the part of the company, and it is hoped that this program will afford employees a measure of security.

In addition to the salary continuation, the company pays a substantial part of the cost of employees' sickness, accident and hospitalization insurance, since the officers feel that only by combining the two plans can proper protection be afforded.

A salaried employee who has been in the service of the company for six months or more and who is absent for one week or more because of sickness or non-occupational accident will be paid in accordance with the following schedule. In case of absence for two or three days, it is the policy of the management to pay the employee's salary, providing such absences are not too frequent. Absences of less than one week will not be accumulated, and the following schedule governs only cases of one week or more of continuous absence due to sickness or non-occupational accidents.

<i>Length of Continuous Service</i>		<i>Maximum Time Allowance for Payment</i>	
<i>Over</i>	<i>But less than</i>	<i>of Salary in Calendar Year</i>	
6 months	1 year	1st week full salary	
1 year	2 years	1st week full sal. and 50% of sal. for	2nd week
2 years	3 years	1st week full sal. and 50% of sal. for	2 add'l weeks
3 years	4 years	1st week full sal. and 50% of sal. for	3 add'l weeks
4 years	5 years	1st week full sal. and 50% of sal. for	4 add'l weeks
5 years	6 years	1st week full sal. and 50% of sal. for	5 add'l weeks
6 years	7 years	1st week full sal. and 50% of sal. for	6 add'l weeks
7 years	8 years	1st week full sal. and 50% of sal. for	7 add'l weeks
8 years	9 years	1st week full sal. and 50% of sal. for	8 add'l weeks
9 years	10 years	1st week full sal. and 50% of sal. for	9 add'l weeks
10 years	11 years	1st week full sal. and 50% of sal. for	10 add'l weeks
11 years	12 years	1st week full sal. and 50% of sal. for	11 add'l weeks
12 years	13 years	1st week full sal. and 50% of sal. for	12 add'l weeks
13 years	14 years	1st week full sal. and 50% of sal. for	13 add'l weeks
14 years	15 years	1st week full sal. and 50% of sal. for	14 add'l weeks
Over 15 years		1st week full sal. and 50% of sal. for	15 add'l weeks

The salary payments scheduled will be the maximum payments during the calendar year or for a continuous disability extending into a new calendar year.

To be eligible for salary during absence due to sickness or accident, the employee must forward to his department head a written statement from his physician certifying

that the employee is under his care and is disabled and prevented from working. No salary allowance will be granted an employee on account of any sickness or disability sustained by the employee while he is on leave of absence for military service, or while he is absent or at his own request because of temporary reduction in force.

This plan may be terminated or modified at any time by the Board of Directors. No claims shall arise against the company in the event that such action is taken.

#### B. OFFICE SUPPLIES COMPANY

If an employee is unavoidably absent because of illness, salary will be paid in accordance with the following schedule:

During the first year of employment, salary will be paid for the first week's absence—a total of 40 hours in the year.

In each succeeding year of employment, the period during which the salary will be paid will be increased by one week. For example: In the second year of employment, the period will be two weeks, or 80 hours; in the third year, three weeks, etc. In the 10th year of employment, the period will be 10 weeks. Should the employee have more than 10 years of service and be absent because of illness for more than 10 weeks, the matter will be one for management consideration.

#### C. INSURANCE COMPANY

In the event of the illness of a male or unmarried female employee, salary may, by a vote of the Salary Committee, be continued in the amount and for the period designated in the following table. However, in no event will payments under the disability schedule continue after annuity payments commence under the company's group retirement annuity plan, nor will the schedule apply to those who are employed with the stipulation that salary will not be paid during absence.

<i>Period of Service Disability Began</i>	<i>Full Salary for Limit of</i>	<i>Half Salary Thereafter for Limit of</i>
1st 3 months	1 week	
Balance of 1st year	2 weeks	2 weeks
2 "	3 "	3 "
3 "	4 "	4 "
4 "	6 "	6 "
5 "	8 "	8 "
6 "	11 "	11 "
7 "	14 "	14 "
8 "	18 "	18 "
9 "	22 "	22 "
10 "	26 "	26 "
11 "	30 "	Total Disability
12 "	34 "	" "
13 "	39 "	" "
14 "	43 "	" "
15 "	47 "	" "
16 "	52 "	" "

In case of any subsequent illness within one year from the date of return to active service, salary may be continued only for the remainder of the period provided for the original illness.

#### D. FOOD MANUFACTURING COMPANY

Under this plan, announced November 1, 1937, all regular employees are entitled to two weeks' sick leave with full pay during each year of continuous service. Any unused portions of such yearly benefit credits accumulate from year to year to a maximum of 26 weeks, provided service is continuous. Credits are allowed for service rendered prior to the installation of the plan.

#### E. FINANCIAL ORGANIZATION

The management provides protection for the employee against the loss of wages due to accident or illness and has established the following benefits:

All employees, except cleaners, will be credited with two weeks' full-pay sick leave



for each year of active service. The maximum amount of full-pay sick leave that an employee may earn during his entire period of employment is 50 weeks. This allowance may not be used for any other purpose than to compensate an employee during periods of bona fide illness. It has no cash surrender value, either during an employee's term of employment or on the termination of employment because of retirement or for any other reason. If the employee receives from the organization additional benefits in the form of sanitarium or hospital care, a corresponding reduction in the sick-leave payment will be made. However, if the employee has a family to support, in no case will he receive less than half pay or \$15 per week, whichever is greater, during the period in which he is entitled to full-pay sick leave. Payment for absences in excess of sick-leave credits will require special consideration in each case, and will be made only in extraordinary circumstances. Sick-leave pay will be forfeited if permission is denied the employer's doctor or representative to make such examination as is deemed necessary.

### Fingerprinting of Employees

**Question:** Does the government require plants doing war work to fingerprint their employees?

**Answer:** Yes; Washington has issued an order making fingerprinting compulsory in war plants. It reads in part: "By direction of the President and by authority vested under the emergency powers given to the President, the Under-Secretary of War has decreed that all persons now engaged or employed in the future in the production of all types of materials and supplies for the war effort program will be fingerprinted immediately."

Employee magazines are giving active support to this order, pointing out that it is as much for the protection of the employees themselves as for protection of the plants against sabotage. *The Wingfoot Clan* of the Goodyear Tire & Rubber Company states in a leading editorial:

"Fingerprinting at Goodyear is well under way this week, and by June 1 it is expected every employee will have had prints of his fingers taken for permanent record in the vaults of Uncle Sam in Washington, and to be used only by the government.

"It is gratifying to note that employees are cooperating fully in the effort to comply with the order from Washington.

"The government is merely waging a campaign of protection. It is protection for the government, for Goodyear and for each and every employee."

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► THE CONWAY CAMERA COMPANY, Chicago camera store, in sending out its bills uses a carbon and types the name of the customer on both the bill and the envelope at the same time, thus saving one typing of the name and address. There is no particular trick to lining up an unlined envelope with a lined invoice heading. The address on the envelope, if a good carbon is used, is perfectly legible.

—American Business 4/42

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## *Briefer Book Notes*

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**THE INDEPENDENT REGULATORY COMMISSIONS.** By Robert E. Cushman. Oxford University Press, New York, 1941. 780 pages. \$5.00. An elaborate study of the federal agencies (Interstate Commerce Commission, Securities and Exchange Commission, Federal Communications Commission, etc.) which are not part of any regular executive department. The book endeavors to explain why these independent bodies were created and to appraise their status and their relations to Congress, the President and the courts.

**DEMOCRACY, EFFICIENCY, STABILITY: AN APPRAISAL OF AMERICAN GOVERNMENT.** By Arthur C. Millspaugh. The Brookings Institution, Washington, D. C., 1942. 522 pages. \$4.00. Mr. Millspaugh here seeks to determine how responsive our government is to popular control; how effectively it functions, particularly in matters relating to national security; and whether or not a smooth evolutionary process of political adjustment has been achieved. The book answers such questions as: Have we been advancing toward or drifting away from democracy? Have our institutions been gaining or losing stability? Can we achieve efficiency while realizing democracy? Do we need postwar political reconstruction?

**THE FINANCIAL POLICY OF CORPORATIONS.** By Arthur Stone Dewing. The Ronald Press Company, New York, 1941. Fourth Edition. Two volumes. 1,550 pages. \$10.00. This exhaustive study of corporation finance first appeared in 1919 but it has been completely rewritten and reorganized to meet present-day developments. It takes into account the trends toward greater recognition of stockholders' rights; it discusses the new responsibilities imposed on financial management by regulations of administrative bodies, such as the Security and Exchange Commission; and it interprets the law as laid down by the courts, particularly with respect to reorganization, declaration of dividends, and similar important matters.

**INVENTORY VALUATION AND PERIODIC INCOME.** By Carl Thomas Devine. The Ronald Press Company, New York, 1942. 195 pages. \$3.00. A critical examination and comparison of methods of inventory valuation and their effect on income. Includes a chapter on the cyclical behavior of the various systems.

**WHO WRITES WHAT?** The National Underwriter Company, Cincinnati, 1942. 128 pages. \$2.50. An independently published compilation of the various types of contracts issued by life insurance companies—arranged by subjects—to show “who writes what” and the rules that govern the acceptance of risks.

**BASIC FINANCIAL ANALYSIS.** By Alexander Wall. Harper & Brothers, New York, 1942. 158 pages. \$2.50. A guide to procedures for determining the condition of a business from its financial statements. Explains how ratio analysis and other tests may be applied to measure safety margins, detect dislocations, and predict trends.

